

Chester J. Culver  
Governor



Patty Judge  
Lt. Governor

## Iowa Lottery Report On Operations

**To: Members of the House Government Oversight Committee and Senate Government Oversight Committee**

**From: Ken Brickman, Chief Operating Officer and Acting CEO  
Mary Neubauer, Vice President, External Relations**

**Date: December 2008**

Fiscal year 2009 has seen some heartwarming lottery winners' stories thus far, including those of a Davenport couple and a Marion couple.



Patrick and Rita Hagner of Davenport

On Dec. 11, Patrick and Rita Hagner of Davenport each claimed the top prize of \$100,000 in Iowa's \$100,000 Cash Game. Rita chose the numbers they played, based upon family birthdays, and Patrick bought the tickets. He said he just had a feeling that he should buy two sets of the same numbers for the same drawing. He followed his instincts and the couple walked away with two top prizes in the Dec. 2 drawing of the Cash Game.

Patrick Hagner, 76, is retired from Deere & Co., while Rita, 75, is a retired teacher. They both said they realize they

beat long odds and are very lucky. The odds of winning the top prize in the Cash Game are 1 in 324,632.

And on Dec. 22, a Marion couple claimed a \$1 million Powerball® prize they'd won with a ticket purchased spur of the moment while they were out looking at holiday lights with friends. Susan and Clyde Hendricks won a \$200,000 prize by matching the first five numbers in the Dec. 20 Powerball drawing, but because they'd added the Power Play option to the ticket, the prize was multiplied by five for a total prize of \$1 million.

Susan Hendricks, 63 who works at Kirkwood Community College, had insisted that her husband buy a Powerball



Clyde and Susan Hendricks of Marion

ticket. Clyde Hendricks, 62, an engineer at Vector Corp. in Marion, laughingly recalled as they claimed their prize that he hadn't been enthusiastic about buying the ticket, thinking it was a waste of money. He said he had a much different opinion after winning a \$1 million prize! The couple said they planned to pay off their mortgage and other bills, add to their retirement accounts and help victims of this past summer's floods.

### **FY 2008: Lottery Raises More Than \$56 Million For State Programs**

Strong sales of instant-scratch and pull-tab tickets helped the Iowa Lottery raise more than \$56 million for state programs in fiscal year 2008, but record-high fuel prices, a weakened U.S. economy, and widespread storm damage and flooding in Iowa dampened lottery sales in the final months of the period.

Lottery sales totaled \$249.2 million in fiscal year 2008, while lottery profits for state programs totaled \$56.5 million. Lottery profits were down about 2.8 percent compared to the previous year, primarily for two reasons: 1.) A large portion of lottery profits in FY 2008 came from scratch games, which have smaller profit margins than lotto games, such as Powerball and Hot Lotto. Lotto games had accounted for a greater percentage of lottery sales in fiscal year 2007 than in FY 2008, resulting in higher profits in the earlier period. 2.) The Governmental Accounting Standards Boards (GASB) statement No. 16 now requires reporting for the recently implemented Sick Leave Insurance Program (SLIP). The Lottery was informed on Sept. 8 that GASB 16 liabilities were to be reported on the FY 2008 financial statements. Including the liability for SLIP in the lottery's financial statements increased its expenses and liabilities by approximately \$661,000 and decreased our net income and transfer to the state by the same amount.

Some of the highlights of the lottery's FY 2008 results include:

- Sales of scratch tickets, the first product introduced by the Lottery and always one of its top-selling product lines, rose more than 10 percent to a record \$137.9 million in fiscal year 2008. The lottery's previous record for scratch sales had been set in fiscal year 2007, when \$125.1 million in scratch tickets were sold.
- Powerball sales continued at a strong rate in FY 08, totaling \$63.8 million, a 3.6 percent increase from the prior fiscal year.
- However, five of the lottery's products, including the Powerball and Hot Lotto games, saw sales decreases in June 2008 compared to the same month a year earlier. That came amidst widespread storm and flood damage and gasoline prices near \$4 per gallon.

### **FY 2009 Early Results and FY 2010 Budget**

In the lottery's June 2008 report to your committees, we noted that tornadoes, flooding and the weakened U.S. economy were having an impact on lottery sales. That impact has understandably continued in the months since that time. Through late November, the latest

month for which the lottery has complete figures, lottery sales were down about 6 percent compared to a year earlier.

Many areas of the state continue to feel impacts from this year's storms and flooding. And Iowans, along with people around the world, also are undoubtedly concerned about economic issues. There are stories from around the country showing that consumers have cut back in their discretionary spending for everything from eating out to buying new cars to purchasing lottery tickets and other convenience items. In fact, the national Consumer Confidence Index™ reached an all-time low in December as 46 percent of consumers reported that business conditions were "bad" and 42 percent said jobs were "hard to get."

Many areas in eastern Iowa obviously continue in their recovery efforts from this year's storms and flooding, and people are out of their normal routines. They are not buying a lot of the products they normally would, nor would we expect them to be doing so. Our concerns remain with those folks whose lives have been affected by this year's devastation.

We will continue to do the creative things we always have done at the lottery, whether that be coming up with new game designs and ideas, offering new promotions, or using creative advertising. But we also understand that Iowans are having to make some sensible decisions with their money during these times and we not only expect that, we encourage it.

The Lottery had budgeted conservatively for this year, understanding the difficulties our state faced. But Iowa, along with the rest of the nation, continues to experience economic conditions not seen in more than 70 years. Through the end of November, Lottery sales were about 2.6 percent behind the lottery's budgeted figures for FY 2009, while Lottery transfers were about 3.2 percent behind budget.

In the Lottery's June report to the Oversight Committees, it noted that the Lottery Board at its June 13 meeting had voted to amend the lottery's FY 2009 budget to reflect decisions that were made during the 2008 legislative session and an increase in fuel costs associated with the record-high fuel prices that the country has experienced.

At its meeting Sept. 30, the Lottery Board approved the FY 2010 budget for the lottery. The budget takes into account the economic difficulties facing our state and projects no growth in lottery sales from FY 2009 to FY 2010.

As part of the lottery's standard procedures, the lottery budget figures have been entered into the state's I-3 accounting system and are available for review by all interested parties. In addition, detailed updates to the lottery's sales and budget figures also are regularly provided through the state's I-3 accounting system.

Copies of the Lottery Operations budget and the budget for the Lottery Fund are both included with this report as **Attachments A and B. Attachment C** to this report provides a five-year overview of the Lottery's revenues and expenses, through the end of FY 2008.

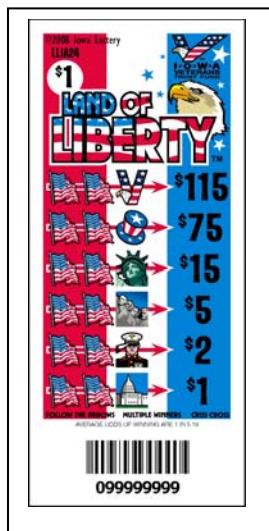
The voting members of the Iowa Lottery Board are: Chairperson Mary Junge, a CPA and practicing tax and estate-planning attorney in Cedar Rapids; Elaine Baxter, a former state legislator and secretary of state from Burlington; Mike Klappholz of Cedar Rapids, retired Cedar Rapids chief of police; Tom Rial, a Des Moines marketing consultant; and Brad Schroeder of Pleasant Hill, an attorney whose law practice is based in Des Moines. State Treasurer Michael Fitzgerald is an ex-officio member of the Board.

### **Lottery Games To Benefit The Iowa Veterans Trust Fund**

The Lottery's initiative to provide proceeds to the Iowa Veterans Trust Fund has been very well received by the public and gotten off to a successful start, and the next round of games dedicated to the Trust Fund will begin sales in January.

The first Iowa Lottery games to benefit the Iowa Veterans Trust Fund began sales in July, and in October, the Lottery transferred nearly \$1 million to the Trust Fund, which was raised by the sale of tickets in those games. The lottery's next transfer to the Trust Fund will be made at the end of January. It is expected to be smaller than the initial transfer, as the first veterans-benefit games have been on the market for some time and sales in them have slowed, following the natural cycle of game sales in which ticket sales are strongest in a game's first weeks of availability.

On Jan. 12, a new pull-tab ticket dedicated to the Veterans Trust Fund will begin sales. "Land of Liberty" is a \$1 game. On Jan. 26, "Freedom Rings," a \$1 instant-scratch game, will begin sales. Tickets in both games feature the logo for the Iowa Veterans Trust Fund, which the lottery developed in conjunction with the Iowa Department of Veterans Affairs as we began to prepare for the Veterans Trust Fund Initiative.



The lottery estimates that it will provide about \$2 million to \$3 million in proceeds annually to the Iowa Veterans Trust Fund.

The Iowa Veterans Trust Fund was created to provide assistance to qualified veterans in paying for expenses such as:

- Travel expenses for wounded veterans directly related to follow-up medical care;
- Job training or college tuition assistance;
- Unemployment assistance during a period of unemployment due to prolonged physical or mental illness or disability resulting from military service;
- Dental, vision and hearing assistance for veterans living in a long-term care facility or under a home healthcare contract;
- Benefits for a child or children or disabled or deceased veterans following Sept. 11, 2001;
- And individual or family counseling programs.

### **It's A Wonderful Life**



The Iowa Lottery continues its work of highlighting the state's success stories through its games and promotions. In November and December, the lottery partnered with the Donna Reed Foundation in Denison to produce an "It's A Wonderful Life" instant-scratch game and a holiday contest that gave people the chance to win prizes by doing their best impressions of the classic film's lead characters.

"It's A Wonderful Life" starred Jimmy Stewart and Iowa's own Donna Reed. The movie was released in 1946 and has gone on to become an annual staple of the holidays. Its storyline recounts the life of George Bailey, played by Jimmy Stewart, who is driven to considering suicide on Christmas

Eve. Luckily, George's guardian angel arrives in his hour of need and shows him just how valuable his life has been to all of those around him. Donna Reed plays Mary Bailey, George's wife.

Donna Reed was born Donnabelle Mullenger in Denison in 1921 and her hometown continues to honor her memory and passion for education and the performing arts. The Donna Reed Foundation was formed in Denison in 1987 and encourages and supports talent through scholarships, workshops, and promotion of stage plays, concerts, and other cultural activities. It also operates a performing arts center and museum in Denison.

Tickets in the lottery's "It's A Wonderful Life" scratch game began sales Nov. 3 and continued through the holidays. The tickets featured a black-and-white image of Stewart and Reed as George and Mary Bailey in the movie. Prizes in the game ranged from \$2 up to \$10,000.

The scratch game was the inspiration for a look-alike contest the lottery put on in conjunction with the Donna Reed Foundation. Anyone at least 21 years old was invited to enter the competition by giving his/her best impression of George or Mary Bailey. Three regional contests were held in Des Moines,



Mary Bailey look-alike winner,  
Amy Burgmaier of Des Moines



Cedar Rapids and Sioux City, with prizes for contestants there. Then photos and video of the overall winners from each regional competition were posted on the lottery's Web site from Dec. 9-18, where the public could vote for its favorites.

Ultimately, a Sioux City man and a Des Moines woman were chosen as the public's favorite George and Mary Bailey look-alikes. Amy Burgmaier and Peter Lohr each received \$500 from the lottery, just in time for the holidays.

All of the lottery's holiday games were extremely popular this season and as they approached sell-outs in late December, the lottery moved up the distribution dates for other scratch games to ensure that retailers would not run out of tickets.



George Bailey look-alike winner, Peter Lohr of Sioux City

It's a Wonderful Life TM & © 2008 Melange Pictures LLC. All rights reserved.  
Donna Reed used with permission. Licensed by Sovich Minch, LLP.  
James Stewart used with permission. Licensed by The Stewart Family, LLC.

## **Midwest Millions**



The second edition of "Midwest Millions" is enjoying strong sales in both Iowa and Kansas. Our two states' lotteries became the first in the nation to sell a joint instant-scratch game when the initial version of Midwest Millions began sales in September 2007. We decided to build on the success of that first game by releasing an updated version of Midwest Millions in September of this year.

The initial game nearly sold out in Iowa, while the Kansas Lottery sold about 90 percent of its tickets. Players in both states buy tickets and compete for prizes as part of one big game designed to test the "Powerball concept" that has worked so well in lotto games. The idea is that multiple lotteries join together to offer bigger prizes and more chances to win than they can achieve on their own, thus achieving greater sales.

This year's version of the \$10 Midwest Millions game offers instant prizes ranging from \$10 up to \$50,000 and two second-chance drawings that each offer a top prize of \$500,000 and five

prizes of \$10,000. The first drawing will be Jan. 9 in Topeka, Kan., while the second drawing will be April 17 in Des Moines.

Both of the \$500,000 winners in last year's game were Iowa Lottery players. Ralph Kuwamoto, a railroad worker from Lincoln, Neb., who bought a Midwest Millions ticket while working in Glenwood in southwest Iowa, won the top prize in the drawing held Jan. 11, 2008, in Topeka, Kan. Stephen Zabel of Conesville in eastern Iowa was drawn as the \$500,000 prize winner in the April 18, 2008, drawing in Des Moines.

### **Powerball Changes**



On Jan. 4, the Florida Lottery will become the 32<sup>nd</sup> lottery to sell tickets in the Powerball® game.

Several changes are being made to Powerball to accommodate the added population. The changes that take effect Jan. 4 are designed to meet player expectations for big jackpots, improve the overall odds of winning a Powerball prize and create more \$1 million winners in the game.

Powerball sales began in April 1992 with 15 lotteries, including Iowa, participating in the game. The major updates that begin Jan. 4 include:

- the game's starting jackpot will increase from \$15 million to \$20 million.
- the \$200,000 Match 5 prize with the Power Play® option will always have a 5X multiplier. Players can increase their prizes (except the jackpot) up to five times with the Power Play. The cost is \$1 per play.
- the overall odds in the game will improve to 1 in 35.1, which will result in more than 3 million extra prizes won per year across the Powerball game.
- four white balls will be added to the first pool in the game, meaning players will choose five numbers from 59. But three red balls will be removed from the Powerball pool, meaning players will choose one number from 39. The net effect is that one ball will be added to the overall mix, a design that should create faster-growing jackpots while making it easier for players to win other prizes. The average jackpot in the game is expected to increase from \$95.5 million to \$141 million.
- the odds of winning the jackpot will increase to 1 in 195.2 million.
- the game's drawings on Wednesday and Saturday nights will move from Iowa to Florida, although Powerball's headquarters office will remain in Urbandale, Iowa.

### **International Game Discussions**

In the Lottery's 2007 reports to the Oversight Committees and in appearances and memos provided to the committees since then, the Lottery has provided initial details about discussions for a possible international lotto game.

As the Lottery has reported earlier, possible plans for such a game remain in the discussion stage. The Iowa Lottery continues to monitor any developments regarding a possible international game, but is not taking a leadership role in organization of such a game. The Lottery will continue to inform the Government Oversight Committees of developments if discussions continue.

Discussion of a possible international game has been underway since 2001. Several different game ideas, prize structures and game names have been discussed through the years, although final decisions have never been made.

The idea has continued to percolate in the years, and as has earlier been reported to the committees, it is being discussed again now.

### **TouchPlay Lawsuits**

Although numerous lawsuits were filed against the Lottery and the State following the 2006 shutdown of the TouchPlay program, just four remain pending. TouchPlay-related lawsuits are currently pending in Polk, Scott, Floyd, and Webster counties. The remaining lawsuits involve seven individual and corporate plaintiffs.

A trial in the Webster County lawsuit is scheduled to begin on June 2, 2009. The Floyd County lawsuit is set for trial beginning on July 21, 2009. The Scott County case was dismissed on Summary Judgment. One plaintiff's claims in the Polk County case also were dismissed on Summary Judgment. However, the summary judgment decisions are expected to be appealed.

Except as outlined above, all other TouchPlay cases and claims previously reported on have been settled or dismissed. The Lottery continues to work with the Iowa Attorney General's Office on the TouchPlay-related legal matters.

### **Contract Extension And Cost Savings**

In 2001, the Iowa Lottery entered into a contract with Scientific Games International (SGI) for the computerized system of terminals it uses to sell and validate lottery tickets across the state. The initial term of the contract was through June 28, 2008, with up to three one-year extensions. The lottery exercised two of those extensions in 2004, extending the contract through 2010.

This year, SGI approached the Lottery with an offer to extend the contract for the final option year through July 2, 2011. In exchange for the extension, SGI offered various concessions of pricing, equipment and services, all of which the lottery reviewed.





Cognizant of the serious budget issues facing the state, lottery staff recommended that the Lottery Board exercise the final option year of the contract in exchange for a 34 percent reduction in current contract rates applicable to lotto and instant-scratch ticket sales during that year, which would result in estimated cost savings of \$2 million or more in FY 2011. SGI also would include at no additional charge the licensing and printing of FailSafe®, a proprietary instant-ticket bar code security technology. Depending upon the quantity of tickets printed, the lottery anticipates cost savings in excess of \$100,000 from being able to utilize FailSafe during the final option year of the contract.

During its meeting on Sept. 30, 2008, the Iowa Lottery Board approved the contract extension, which will result in significant cost savings during FY 2011, the final year of the lottery's contract with SGI.

## Budget for Lottery Fund

	2008 PRELIMINARY ACTUAL	2009 BOARD APPROVED BUDGET	2010 BOARD APPROVED BUDGET
Resources			
Lottery Sales	249,217,468	245,330,000	245,330,000
Interest	699,922	570,000	570,000
Application Fees	5,150	5,000	5,000
Other	47,962	5,000	5,000
Total Resources	<u>249,970,502</u>	<u>245,910,000</u>	<u>245,910,000</u>
Expenditures			
Prizes	144,669,575	136,539,184	137,539,184
Retailer Compensation	15,650,431	15,080,000	15,080,000
Marketing, Education and Information	7,283,980	9,813,200	9,813,200
Retailer Lottery System	7,823,721	7,762,000	7,762,000
Instant/PT Ticket Expense	2,444,025	2,496,000	2,496,000
Terminal Communications	447,676	425,000	425,000
Terminal equipment/Ticket dispensers	82,479	100,000	100,000
PTVM/ITVM Servicing	492,495	525,000	525,000
Interest Expense (ITVM/PTVM/BUILDING)	109,467	50,000	50,000
Depreciation Expense (ITVM/PTVM/BUILDING)	1,222,260	1,222,588	745,807 (1)
Refunds/Other	-	2,100	2,100
Lottery Operations	<u>11,884,873</u>	<u>11,686,616</u>	<u>11,686,616</u>
Total Expenditures	<u>192,110,982</u>	<u>185,701,688</u>	<u>186,224,907</u>
Net Income			
Prior to Net Asset Change	57,859,520	60,208,312	59,685,093
Less increase (decrease) in net assets	<u>1,313,402</u>	<u>(1,122,588)</u>	<u>(645,807) (1)</u>
After Net Asset Change	56,546,118	61,330,900	60,330,900
Transfers			
Proceeds Transfer	55,296,265	57,090,040	56,090,040
Veterans Transfer	-	3,011,310	3,011,310
Gamblers Treatment Transfer	<u>1,249,853</u>	<u>1,229,550</u>	<u>1,229,550</u>
Total Expenditures and Transfers	<u>249,970,502</u>	<u>245,910,000</u>	<u>245,910,000</u>

(1) - Decrease in Instant & Pulltab ticket vending machines depreciation. All machines will be fully depreciated by the end of FY 2010.

## Lottery Operations - Budget Detail

	2008 PRELIMINARY ACTUAL	2009 BOARD APPROVED BUDGET	2010 BOARD APPROVED BUDGET
Administrative Payroll	9,435,111	9,387,541	9,307,541
Travel in State	97,781	110,000	110,000
State Vehicle Operation	322,068	355,000	355,000
Vehicle Depreciation	157,578	170,010	170,010
Travel Out of State	23,596	40,000	40,000
Office Supplies	90,874	85,000	90,000
Facility Maintenance Supplies	14,721	15,000	15,000
Other Supplies	1,997	1,000	1,000
Printing and Binding	17,737	22,000	18,000
Postage	4,528	45,000	5,000
Communications	126,353	130,000	115,000
Rentals	277,173	280,000	280,000
Utilities	114,292	116,515	116,515
Prof & Scientific Services	144,953	90,000	96,190
Outside Services	154,164	74,060	118,060
Advertising	23,549	-	-
Outside Repairs	109,987	100,000	100,000
Attorney General	238,319	116,190	160,000
Auditor of State	61,165	80,000	80,000
Reimbursement to Other Agencies	200,751	202,000	202,000
ITS Reimbursement	37,998	40,000	40,000
Equipment	-	20,000	20,000
Equipment Non Inventory	13,604	25,000	25,000
IT Equipment (Inventory, non-inventory)	59,342	70,000	70,000
Other Expenses	155,061	110,000	150,000
Fees	2,171	2,300	2,300
Total Lottery Operations	11,884,873	11,686,616	11,686,616

## Increase (Decrease) in Net Assets

	2008 PRELIMINARY ACTUAL	2009 BOARD APPROVED BUDGET	2010 BOARD APPROVED BUDGET
Bonds payment	2,000,000	100,000	100,000
Depreciation Expense (ITVM/PTVM/BUILDING)	(1,222,260)	(1,222,588)	(745,807)
Other adjustments*	535,662	-	-
Total Change in Net Assets	<u>1,313,402</u>	<u>(1,122,588)</u>	<u>(645,807)</u>

\* - Increase in inventory due to change from shared risk purchasing method to cost per thousand method.

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR FISCAL YEARS 2004 THROUGH 2008**

	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2004</b>
<b>OPERATING REVENUES</b>					
Instant ticket sales	\$137,917,848	\$125,147,976	106,562,536	\$103,259,272	\$95,258,080
Pick 3 sales	6,373,362	6,282,529	6,056,037	6,200,109	6,333,801
Powerball sales	63,761,024	61,548,520	71,110,985	54,244,379	65,967,337
Hot Lotto sales	11,724,416	14,453,908	9,634,818	10,443,903	7,717,962
Raffle sales	1,425,460				
Freeplay Replay sales					77,330
Pick 4 sales	2,315,469	2,224,092	2,066,769	2,042,499	1,662,015
\$100,000 Cash Game sales	4,291,933	4,362,916	4,323,511	4,426,833	4,430,118
Touch Play Machine (Net Receipts)		(77,671)	123,887,516	6,428,123	303,079
Touch Play Uncollected Amounts			(2,436,987)		
Monitor Vending Machine sales					1,257,087
Pull-tab sales	21,407,956	21,058,969	18,314,338	23,624,094	25,528,391
Application fees	5,150	6,325	60,525	61,225	18,450
Other revenue	47,962	147,426	1,326,245	275,806	1,351,802
<b>Total operating revenues</b>	<b>249,270,580</b>	<b>235,154,990</b>	<b>340,906,293</b>	<b>211,006,243</b>	<b>209,905,452</b>
<b>OPERATING EXPENSES</b>					
Instant Prize expense	85,907,684	76,461,872	64,494,790	60,759,895	55,231,504
Pick 3 prize expense	3,763,710	3,710,127	3,533,969	3,596,814	3,723,158
Powerball prize expense	30,749,779	29,416,275	34,745,273	25,878,086	31,756,964
Hot Lotto prize expense	5,668,710	7,097,545	4,683,123	5,111,857	3,761,399
Raffle prize expense	1,200,000				
Freeplay Replay Prize Expense					35,897
Pick 4 prize expense	1,352,661	1,202,769	1,042,785	1,179,953	899,662
\$100,000 Cash Game prize expense	2,525,366	2,212,777	2,036,709	1,897,416	1,907,647
Monitor Vending prize expense					945,638
Pull-tab prize expense	13,397,429	13,103,358	11,395,588	14,699,032	15,884,332
Promotional prize expense	104,236	152,137	326,367	332,620	310,761
Advertising/Publicity	7,307,529	6,277,829	6,952,369	5,911,199	6,115,714
Retailer compensation expense	15,650,431	14,674,744	107,849,743	17,341,859	13,303,839
Ticket expense	2,444,025	2,626,607	2,348,063	3,010,793	2,941,336
Vendor compensation expense	7,823,721	7,339,692	6,754,262	6,218,221	6,175,342
Administrative Payroll	9,435,111	8,412,628	8,462,406	7,516,410	7,332,053
Travel	443,445	396,384	366,149	389,080	321,020
Supplies	107,592	97,168	143,139	103,143	106,211
Printing	17,737	22,485	34,253	24,621	42,445
Postage	4,528	44,942	48,990	30,781	12,499
Communications	574,029	544,149	652,191	550,034	501,491
Rentals	277,173	276,385	366,065	1,527,912	2,610,251
Utilities	114,292	91,013	114,856	84,421	67,886
Professional fees	144,953	91,137	83,723	161,862	82,458
Vending machine maintenance	492,495	492,576	492,576	219,960	
Outside services & repairs	264,151	182,157	213,512	67,050	65,940
Data processing	37,998	38,380	22,908	18,256	10,321
Equipment	155,425	238,897	164,950	1,501,912	133,976
Reimbursement to other					
state agencies	500,235	350,385	312,079	364,998	353,295
Depreciation	1,407,901	1,415,964	1,417,593	625,490	116,318
Other	129,169	124,649	152,839	128,331	83,791
MUSL administrative expense	0	(32,454)	85,289	118,272	230,810
<b>Total operating expenses</b>	<b>192,001,515</b>	<b>177,062,577</b>	<b>259,296,559</b>	<b>159,370,278</b>	<b>155,063,958</b>



**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR FISCAL YEARS 2004 THROUGH 2008**

	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2004</b>
<b>Operating income (loss)</b>	<b>57,269,065</b>	<b>58,092,413</b>	<b>81,609,734</b>	<b>51,635,965</b>	<b>54,841,494</b>
<b>Non-operating revenue (expense)</b>					
Interest income	699,922	821,922	938,212	608,980	567,843
Interest expense	(109,467)	(175,147)	(240,811)	(210,746)	
<b>Income before transfers</b>	<b>57,859,520</b>	<b>58,739,188</b>	<b>82,307,135</b>	<b>52,034,199</b>	<b>55,409,337</b>
Transfer to Gambler's Treatment Program	(1,249,853)	(1,179,883)	(1,709,221)	(1,058,074)	(631,416)
Transfer to State	(55,296,265)	(56,970,554)	(79,166,575)	(50,036,035)	(55,160,347)
<b>Change in net assets</b>	<b>1,313,402</b>	<b>588,751</b>	<b>1,431,339</b>	<b>940,090</b>	<b>(382,426)</b>
Net assets, beginning of period	4,354,379	3,765,628	2,334,289	1,394,199	1,776,625
<b>Net assets, end of period</b>	<b>\$5,667,781</b>	<b>\$4,354,379</b>	<b>\$3,765,628</b>	<b>\$2,334,289</b>	<b>\$1,394,199</b>

## Budget for Lottery Fund

	2008 ACTUAL	2009 BOARD APPROVED BUDGET	2009 PROJECTED	2010 BOARD APPROVED BUDGET	2010 PROJECTED
Resources					
Lottery Sales	249,217,468	245,330,000	233,884,000	245,330,000	233,884,000
Interest	699,922	570,000	350,000	570,000	350,000
Application Fees	5,150	5,000	5,000	5,000	5,000
Other	47,962	5,000	5,000	5,000	5,000
Total Resources	249,970,502	245,910,000	234,244,000	245,910,000	234,244,000
Expenditures					
Prizes	144,669,575	136,539,184	130,168,876	137,539,184	131,122,221
Retailer Compensation	15,650,431	15,080,000	14,376,435	15,080,000	14,376,435
Marketing, Education and Information	7,283,980	9,813,200	9,355,360	9,813,200	9,355,360
Retailer Lottery System	7,823,721	7,762,000	7,399,860	7,762,000	7,399,860
Instant/PT Ticket Expense	2,444,025	2,496,000	2,295,591	2,496,000	2,295,591
Terminal Communications	447,676	425,000	425,000	425,000	425,000
Terminal equipment/Ticket dispensers	82,479	100,000	100,000	100,000	100,000
PTVM/ITVM Servicing	492,495	525,000	525,000	525,000	525,000
Interest Expense (ITVM/PTVM/BUILDING)	109,467	50,000	50,000	50,000	50,000
Depreciation Expense (ITVM/PTVM/BUILDING)	1,222,260	1,222,588	1,222,588	745,807	1,222,588 (1)
Refunds/Other	-	2,100	2,100	2,100	2,100
Lottery Operations	11,884,873	11,686,616	11,686,616	11,686,616	11,686,616
Total Expenditures	192,110,982	185,701,688	177,607,426	186,224,907	178,560,771
Net Income					
Prior to Net Asset Change	57,859,520	60,208,312	56,636,574	59,685,093	55,683,229
Less increase (decrease) in net assets	1,313,402	(1,122,588)	(1,122,588)	(645,807)	(645,807) (1)
After Net Asset Change	56,546,118	61,330,900	57,759,162	60,330,900	56,329,036
Transfers					
Proceeds Transfer	55,296,265	57,090,040	53,576,632	56,090,040	52,146,506
Veterans Transfer	-	3,011,310	3,011,310	3,011,310	3,011,310
Gamblers Treatment Transfer	1,249,853	1,229,550	1,171,220	1,229,550	1,171,220
Total Expenditures and Transfers	249,970,502	245,910,000	234,244,000	245,910,000	234,244,000

(1) - Decrease in Instant & Pulltab ticket vending machines depreciation. All machines will be fully depreciated by the end of FY 2010.

Date: January 23, 2009

To: Jacqueline DiGiacinto  
Rebuild Iowa Office

From: Larry L. Loss  
Iowa Lottery

Re: Follow-up to Post Summer 08 Disaster Report

The initial disaster report from the Iowa Lottery still accurately depicts the Lottery's efforts to help and work with its retailers that suffered from natural disasters during the spring and summer of 2008.

We are able to update some of the figures that were included in the initial report:

- The initial report estimated a \$10,000 loss in vending equipment. The actual loss was \$16,130.
- The initial report estimated a \$5,000 loss in ticket dispensers. The actual loss was \$5,375.
- The recovery of tickets from retail locations is complete. All credits have been applied to retailers' accounts. There are no outstanding balances from retailers.
- In the production of the initial report, the Lottery was tracking thirty (30) retail accounts. Of those thirty accounts:
  - Nineteen have re-opened for business.
  - One is under construction with plans to re-open.
  - Ten are permanently closed.
- Lost sales and proceeds from retailers that have re-opened:
  - \$752,857 (actual sales)
  - \$170,841 (proceeds)
- Lost sales and proceeds from retailers under construction:
  - \$18,616 (sales: annual estimate)
  - \$4,226 (proceeds: annual estimate)
  - \$10,382 (sales: June – December 2008)
  - \$2,357 (proceeds: June – December 2008)
- Lost sales and proceeds from retailers that are permanently closed:
  - \$829,140 (sales: annual estimate)
  - \$188,215 (proceeds: annual estimate)
  - \$462,411 (sales: June – December 2008)
  - \$104,968 (proceeds: June – December 2008)
- Total lost sales and proceeds: June – December 2008
  - \$1,219,494 (sales)
  - \$278,166 (proceeds to state)
- Attached is a spreadsheet depicting the status of each of the locations the Lottery tracked as a result of the disasters.
- The Iowa Lottery is checking with our insurance providers to see if coverage exists for any of the losses that were incurred.
- The Iowa Lottery is not in need of nor are we seeking any assistance from the Rebuild Iowa Office.

## LOTTERY RETAILERS THAT HAVE RE-OPENED

Store Name	City	Weekly Sales Avg	Dispenser	Re-open Date	Weeks Closed	Lost Sales	Lost Proceeds Re-opened	Lost Proceeds Closed
JIM'S FOODS	CEDAR RAPIDS	\$ 4,561.00	none	12/22/2008	28	\$ 127,708.00	\$ 28,990.00	
KWIK SHOP INC #563	CEDAR RAPIDS	\$ 2,941.00	\$ (215.00)	8/1/2008	8	\$ 23,528.00	\$ 5,341.00	
HCS - 16TH AVE	CEDAR RAPIDS	\$ 5,748.00	\$ (215.00)	8/13/2008	9	\$ 51,732.00	\$ 11,743.00	
ECONO MART	COLUMBUS JCT	\$ 1,411.00	\$ (215.00)	10/13/2008	18	\$ 25,398.00	\$ 5,765.00	
KUM & GO #23	FORT MADISON	\$ 3,232.00	\$ (215.00)	7/30/2008	7	\$ 22,624.00	\$ 5,136.00	
GUPPY'S ON THE GO	CEDAR RAPIDS	\$ 4,728.00	\$ (215.00)	11/1/2008	21	\$ 99,288.00	\$ 22,538.00	
CASEYS #2212	CEDAR RAPIDS	\$ 2,113.00	\$ (215.00)	8/13/2008	9	\$ 19,017.00	\$ 4,319.00	
A & S PETROLEUM	WATERLOO	\$ 3,937.00	\$ (215.00)	7/28/2008	7	\$ 27,559.00	\$ 6,256.00	
CIGARETTE OUTLET #7	CEDAR RAPIDS	\$ 1,591.00	\$ (215.00)	9/22/2008	15	\$ 23,865.00	\$ 5,417.00	
CASEYS #2771	CEDAR RAPIDS	\$ 2,852.00	\$ (215.00)	9/17/2008	14	\$ 39,928.00	\$ 9,064.00	
CASEYS #2776	CEDAR RAPIDS	\$ 3,672.00	\$ (215.00)	10/2/2008	17	\$ 62,424.00	\$ 14,170.00	
CASEYS #2778	CEDAR RAPIDS	\$ 3,486.00	\$ (215.00)	10/22/2008	19	\$ 66,234.00	\$ 15,035.00	
CASEYS #2659	COLUMBUS JCT	\$ 2,457.00	\$ (215.00)	11/5/2008	21	\$ 51,597.00	\$ 11,713.00	
TAPKENS	ANAMOSA	\$ 3,743.00	\$ (215.00)	7/24/2008	7	\$ 26,201.00	\$ 5,948.00	
CONVENIENCE PLUS								
PALO MINI MART	PALO	\$ 2,364.00	\$ (215.00)	8/8/2008	9	\$ 21,276.00	\$ 4,830.00	
WAVERLY BOWL	WAVERLY	\$ 222.00	none	9/12/2008	14	\$ 3,108.00	\$ 706.00	
SARAH MINI MART	DAVENPORT	\$ 3,914.00	\$ (215.00)	7/3/2008	4	\$ 15,656.00	\$ 3,554.00	
KWIK STAR	PARKERSBURG	\$ 3,787.00	\$ (215.00)	8/28/2008	12	\$ 45,444.00	\$ 10,316.00	
TOTAL			\$ (3,440.00)			\$ 752,587.00	\$ 170,841.00	

## LOTTERY RETAILER UNDER CONSTRUCTION

Addendum 2  
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Store Name	City	Weekly Sales Avg	Dispenser	Re-open Date	Weeks Closed	Lost Sales	Lost Proceeds Re-opened	Lost Proceeds Closed
S&S FOOD STORE	PARKERSBURG	\$ 358.00	\$ (215.00)	Construct	annual	\$ 18,616.00		\$ 4,226.00
ANNUAL TOTAL						\$ 18,616.00		\$ 4,226.00
JUNE-DECEMBER 2008 TOTAL			\$ (215.00)			\$ 10,382.00		\$ 2,357.00

### LOTTERY RETAILERS THAT ARE PERMANENTLY CLOSED

Store Name	City	Weekly Sales Avg	Dispenser	Re-open Date	Weeks Closed	Lost Sales	Lost Proceeds Re-opened	Lost Proceeds Closed
KWIK STAR #709	NEW HARTFORD	\$ 2,022.00	\$ (215.00)	No	annual	\$ 105,144.00		\$ 23,868.00
KUM & GO #505	CEDAR RAPIDS	\$ 3,292.00	\$ (215.00)	No	annual	\$ 171,184.00		\$ 38,859.00
CITY NEWS & BOOKS	CEDAR RAPIDS	\$ 2,881.00	\$ (215.00)	No	annual	\$ 149,812.00		\$ 34,007.00
CORAL LANES	CORALVILLE	\$ 250.00	none	No	annual	\$ 13,000.00		\$ 2,951.00
HANDEE DANDEE	OAKVILLE	\$ 33.00	\$ (215.00)	No	annual	\$ 1,716.00		\$ 390.00
CLARK OF CEDAR RAPIDS	CEDAR RAPIDS	\$ 5,476.00	\$ (430.00)	No	annual	\$ 284,752.00		\$ 64,639.00
EXPRESS MART #5	GREENE	\$ 1,095.00	Returned	No	annual	\$ 56,940.00		\$ 12,925.00
CEDAR MINI MART	CEDAR RAPIDS	\$ 499.00	\$ (215.00)	No	annual	\$ 25,948.00		\$ 5,890.00
VILLAGE LIQUORS	CORALVILLE	\$ 31.00	\$ (215.00)	No	annual	\$ 1,612.00		\$ 366.00
CEDAR RAPIDS BP	CEDAR RAPIDS	\$ 366.00	\$ (215.00)	No	annual	\$ 19,032.00		\$ 4,320.00
ANNUAL TOTAL			\$ (1,935.00)			\$ 829,140.00		\$ 188,215.00
JUNE-DECEMBER 2008 TOTAL						\$ 462,411.00		\$ 104,968.00